

IMF Publication

Enhanced Heavily
Indebted Poor Countries
(HIPC) Initiative - Creditor
Participation Issues

INTERNATIONAL MONETARY FUND

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Enhanced HIPC Initiative—Creditor Participation Issues

Prepared by the Staffs of the World Bank and IMF

Approved by Gobind Nankani and Timothy Geithner

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I. INTRODUCTION

1. Broad and equitable participation of all creditors is essential to the successful implementation of the HIPC Initiative, and to reducing debt to sustainable levels. During the Annual Meetings in September 2002, the International Monetary and Financial Committee and the Development Committee once again called for all official and commercial creditors that had not yet done so to participate fully in the HIPC Initiative. They acknowledged the serious issues of HIPC-to-HIPC debt relief and creditor litigation, and the Development Committee asked the Bank and the Fund to undertake an early review.¹ This note first provides a brief overview of the current status of creditor participation and then examines two key elements of participation: (i) creditor litigation against HIPC debtors; and (ii) possible ways to provide technical support and finance debt relief from HIPCs to HIPCs. In each case, staffs have evaluated potential measures to encourage broad and equitable participation under the enhanced HIPC framework.

II. OVERVIEW OF CREDITOR PARTICIPATION

2. **Current Status.** For the 26 countries that have reached their decision points under the enhanced HIPC Initiative, on average, creditor commitments (financing assurances) currently amount to over 88 percent of the total necessary HIPC relief. Among the six countries that have reached the completion point, creditor participation ranges from 80 to 96 percent of the total relief required. Twenty-two of 27 multilateral creditors have committed to provide HIPC debt relief amounting to US\$13.8 billion (in 2001 NPV terms) or over 99 percent of the total debt relief that is currently anticipated from all multilateral creditors (Table 1). All 20 Paris Club creditors are delivering their portions of the estimated US\$8.7 billion in HIPC relief (2001 NPV terms). In addition, a number of Paris Club members have started to provide additional voluntary bilateral debt relief to the decision point countries.

3. There are 49 non-Paris Club official bilateral creditors and their share of debt relief to the 26 decision point countries amounts to US\$2.9 billion (2001 NPV terms). Of these, 12 creditors have agreed to deliver full debt relief under the HIPC framework amounting to US\$402 million (Table 2). Libya agreed to participate in the HIPC Initiative in September 2002. A further 14 countries have delivered or agreed to deliver relief on some, but not all, claims on HIPCs representing US\$1.9 billion. Finally, 23 countries have not yet agreed to deliver any HIPC relief (representing US\$580 million). The cost of HIPC relief for commercial creditors is estimated at US\$611 million in NPV terms after traditional relief. Information on debt relief from commercial creditors is difficult to obtain and track, as these creditors generally have little interaction with the Bank and the Fund.

4. For non-Paris Club official bilateral creditors, overall commitments have been made to provide relief for about 59 percent of the total costs applicable to these creditors. In most cases the same creditors have also not provided debt relief under traditional mechanisms (generally

¹ IMFC Communiqué, September 28, 2002, <http://www.imf.org/external/np/cm/2002/092802.htm>; and Development Committee Communiqué, September 28, 2002; <http://wbln0018.worldbank.org/dcs/devcom.nsf>

**Table 1: Creditor Commitments Under the HIPC Initiative
for the 26 Countries that have Reached the Decision Point**

(In millions of U.S. dollars, 2001 NPV Terms)

	Total Cost	Delivering or Committed to Delivering	Not Yet Approved Debt Relief for Any HIPC	Delivering or Committed to Delivering (Percent of Total)
Multilateral Creditors	13,803	13,757	46	100
World Bank	6,556	6,556	...	100
IMF	2,123	2,123	...	100
AfDB/AfDF	1,821	1,821	...	100
IaDB	1,192	1,192	...	100
Others 1/	2,111	2,065	46	98
Paris Club Creditors	8,737	8,737		100
Non-Paris Club Official Bilateral	2,901	1,698	1,203 2/	59
Commercial Creditors	611	...	611 3/	... 3/
Total	26,052	24,192	1,860	...

Sources: Bank and Fund staff estimates.

1/ Central American Bank for Economic Integration (CABEI), European Union/European Investment Bank (EU/EIB), International Fund for Agricultural Development (IFAD), Arab Bank for Economic Development in Africa (BADEA), OPEC Fund for International Development, Islamic Development Bank (IsDB), Corporación Andina de Fomento (CAF), Arab Fund for Social and Economic Development (AFESD), Caricom Multilateral Clearing Facility (CMCF), West African Development Bank (BOAD), Fund for the Financial Development of the River Plate Basin (FONPLATA), Nordic Development Fund (NDF), Caribbean Development Bank (CDB), Banque Centrale des Etats d'Afrique de l'Quest (BCEAO), Nordic Investment Bank (NIB), Banque des Etats de l'Afrique Centrale (BDEAC), Economic Community of West African States (ECOWAS), Arab Monetary Fund (AMF), Eastern and Southern African Trade and Development Bank (PTA Bank), East African Development Bank (EADB), Conseil de L'Entente (FEGECE), Fondo Centroamericano de Estabilización Monetaria (FOCEM), Fund for Solidarity and Economic Development (FSID).

2/ Based on most recent data on creditor commitments. Many non-Paris Club Official bilateral Creditors have not delivered relief until after Completion Point.

3/ Staffs have no systematic data on commercial creditors.

67 percent NPV reduction on eligible debt) which is required in addition to the HIPC relief for reducing HIPC's debt to sustainable levels. For example, Uganda, the first of the six completion point countries that are supposed to receive all HIPC relief unconditionally from all creditors, has not yet received all such relief. Some of Uganda's creditors have yet to sign HIPC debt-relief agreements, while others have signed agreements that fall short of providing the prescribed NPV reduction. Under-delivery of debt relief (traditional relief as well as original and enhanced HIPC relief) adds US\$323 million in NPV terms to Uganda's outstanding stock of debt as of end-June 2001, equivalent to 48 percent of exports.²

² "Heavily Indebted Poor Countries Initiative—Progress in Implementation," September 23, 2002, SM/02/264 Revision 1, <http://www.imf.org/external/hp/hipc>, and <http://www.worldbank.org/hipc>.

5. Increasing the participation of non-Paris Club official bilateral and commercial creditors remains a challenge for the successful implementation of the HIPC Initiative. Moral suasion is the principal means available to facilitate participation by reluctant creditors because the Bank's and the Fund's decisions on the HIPC Initiative are not legally binding on other creditors, the Paris Club's Agreed Minutes create no obligations on the part of non-Paris Club creditors, and the provision of HIPC relief by official creditors is not dependent on the participation of private/commercial creditors. Since outlining obstacles to creditor participation in the March 2002 HIPC Status of Implementation Report, staffs have taken the following measures to improve it:³ (i) Bank and Fund staffs have discussed participation in the HIPC Initiative with selected non-Paris Club official bilateral creditors and provided technical assistance to counterparts through missions and in discussions during the Spring and Annual Meetings; (ii) reported on the status of creditor participation in reports that are available on the external websites of Bank and Fund; and (iii) have reported on the sale of claims in the secondary market and the status of litigation in HIPC Status of Implementation reports. Bulgaria, India, the Republic of Korea, and Libya have been the most recent non-Paris Club official bilateral creditors to commit to participate in the HIPC Initiative (also see Table 2).

III. CREDITOR LITIGATION

6. Some creditors, mostly commercial, have launched litigation proceedings against HIPC debtors to recover their outstanding claims.⁴ These actions reflect the fact that the HIPC Initiative does not alter the legal rights and obligations between HIPCs and their external creditors. Accordingly, until the HIPC debtors and their creditors reach bilateral legal agreements in line with the HIPC Initiative, creditors are legally entitled to use available legal mechanisms to enforce their credit claims against HIPCs. In some instances, prior to their decision points HIPCs have paid commercial creditors in full (and forgone debt relief) either because of the litigation or the threat of it, a desire to avoid disrupting a commercial relationship, or the fear of losing productive assets in cases where commercial debt was secured by collateral. In some instances, non-participating creditors sold their claims on the secondary market at a discount to entities such as distressed debt funds that then sought to recover these claims through the courts. So far, the number of such lawsuits and the amounts involved have been relatively small, but such

³ Heavily Indebted Poor Countries Initiative—Status of Implementation,” SM/02/94, March 25, 2002, <http://www.imf.org/external/hipc>, and IDA/SecM2002-0155, March 22, 2002, <http://www.worldbank.org/hipc>.

⁴ The September 2002 Status of Implementation Report reported on a survey of HIPC countries on pending and completed creditor litigation. Most of the litigation proceedings have been brought by commercial creditors. See “Heavily Indebted Poor Countries Initiative—Progress in Implementation”, Op. cit.,; page 22.

Table 2. Delivery of HIPC Relief by Non-Paris Club Official Bilateral Creditors

Status	Non-Paris Club Official Bilateral Creditors	
Delivered debt relief on all claims on HIPCs	Argentina Brazil	South Africa Tanzania
Agreed to deliver debt relief on all claims on HIPCs	Côte d'Ivoire Egypt 1/ Honduras Hungary*	India* Libya Morocco Pakistan*
Delivered or agreed to deliver debt relief on some, but not all, claims on HIPCs	Algeria * 2/ Bulgaria 3/ China* 4/ Costa Rica 5/ Czech Republic* 6/ Guatemala 5/ Kuwait*	Mexico* 7/ Poland* 8/ Republic of Korea* 9/ Saudi Arabia* Slovak Republic* 6/ United Arab Emirates* 10/ Venezuela 11/
Not yet agreed to deliver HIPC relief	Angola Burundi Cameroon Cape Verde Colombia* Cuba Democratic Republic of Congo Former Yugoslavia 12/ Iran Iraq Niger Nigeria	Oman* People's Democratic Republic of Korea Peru* Romania Rwanda Senegal Taiwan Province of China Thailand Togo Zambia Zimbabwe

Sources: HIPC documents; HIPC authorities; and correspondence between Bank and Fund staff and creditor authorities.

* denotes creditors that have been in touch with Bank and Fund staff regarding the provision of HIPC relief.

1/ Egypt has written off its (small) claims on Tanzania, and has contacted Guinea about the delivery of HIPC relief.

2/ Algeria provided relief to Mozambique on Lyon terms in 1998 under the original HIPC Initiative. Mozambique has requested a topping up to Cologne terms under the enhanced HIPC Initiative.

3/ Bulgaria agreed to deliver HIPC relief to Nicaragua.

4/ In the context of a broader debt relief for 32 African countries, China has provided debt relief to 15 decision point HIPCs. The Chinese authorities have indicated that currently there is no political basis to provide debt relief to countries which do not have diplomatic ties with China.

5/ Guatemala has provided HIPC relief to Nicaragua, and Costa Rica has indicated its intention to provide relief to Nicaragua.

6/ The Czech and Slovak Republics have already provided relief on terms consistent with the HIPC Initiative to Nicaragua and have agreed to provide relief to Zambia, but have sold claims on other HIPCs to commercial creditors in the secondary market.

7/ Mexico rescheduled debt owed by Nicaragua in 1996.

8/ Poland has agreed to provide relief to Mozambique and Nicaragua, and to work toward finding a solution with Tanzania once the nature of the claims is established.

9/ The Republic of Korea has agreed to provide debt relief to Uganda.

10/ United Arab Emirates and Mauritania have begun negotiations for the delivery of HIPC relief.

11/ Venezuela wrote off its claims on Bolivia in 1997.

12/ Successor states.

proceedings can be burdensome to the debtors concerned, and can in some cases complicate financial and reserve management in these countries.

7. To help HIPCs avoid creditor litigation, staffs have informed non-Paris Club bilateral creditors of their expected participation in providing relief to HIPCs under the Initiative and discouraged such creditors from selling HIPC debt in the secondary market. Staffs have also encouraged HIPCs to buy back commercial debt at a discount using resources provided by the Debt Reduction Facility for IDA-only Countries administered by the World Bank, to reduce commercial debt claims in accordance with the HIPC framework. Creditor participation in commercial debt reduction operations financed under the Debt Reduction Facility, however, is voluntary. While the Facility can provide HIPCs with limited resources to buy back commercial debt, a creditor may refuse to negotiate and can still launch litigation proceedings in an effort to receive a higher return through such proceedings.

8. **Technical Assistance to Defend Against Creditor Litigation.** Although there is a view that existing laws in financial centers where litigation is brought have tended to favor creditor rights, some have suggested that debtor legal defense is still essential in reaching fair and equitable judgments. In this context, staffs have been asked to consider additional measures to minimize the impact of creditor litigation against HIPCs. One suggestion has been to establish a fund to finance legal assistance to HIPCs faced with litigation by commercial creditors either administered by the Bank or the Fund, or directly by the donor community. While the idea of using a technical assistance trust fund has potential appeal to some HIPC authorities and some donors, it is unclear whether by itself this would be effective in discouraging litigation or in affecting the outcomes of such litigation.

9. It would be inappropriate for the Bank or the Fund to administer such a fund. Both institutions are required to operate with neutrality and impartiality in disputes among members or between members and third parties.⁵ Administration of a fund to finance lawyers to represent HIPCs in litigation with creditors would be inconsistent with the principles of neutrality and impartiality as involvement by the Bank or the Fund, even indirectly, could involve them in the dispute.⁶

⁵ In the case of the Bank, the principle of neutrality and impartiality is reflected, inter alia, in the World Bank Operational Policy 7.40 on “Disputes over Defaults on External Debt, Expropriation and Breach of Contract.” OP 7.40 provides that in cases of disputes between a member country and nationals of another member country: “The Bank seeks to avoid passing judgment on the merits. . . . In general, the Bank limits its role to improving communications between the parties to the dispute and impressing on them the desirability of a settlement.” Under the Fund’s Articles of Agreement, the Fund has a duty of neutrality in disputes between members. The duty of neutrality applies to all Fund activities, including the provision of technical assistance. Although the Executive Board’s endorsement of the neutrality principle focused on inter-member disputes, (see, e.g., “The Role of the Fund in the Settlement of Disputes Between members relating to External Financial Obligations, SM/84/89 (April 25, 1984)) it has been the understanding and the practice of the staff not to involve the Fund in disputes between a members and its private debtors or creditors.

⁶ Even if its responsibilities were limited to administering the trust fund, it would be difficult for the Bank or the Fund to appear to be taking sides in the dispute and to avoid confrontation with

(continued...)

10. **Technical Assistance in Debt Data Management.** A number of development agencies and institutions, including the Bank, provide technical assistance to improve the management of public debt data. While the objective of such technical assistance is to improve debt management practices, a side benefit is that it can help protect countries from spurious claims and provide an alternative source of information on the terms and conditions of contested claims. Of course, such systems cannot protect HIPCs from creditors pressing legitimate claims, but they could help HIPCs strengthen their ability to provide a more considered defense.

11. **Legal Reform in Creditor Countries.** If the provision of legal advice is unlikely to eliminate or reduce creditor lawsuits against HIPCs or judgments in favor of creditors, other means of addressing this problem need to be considered. In principle, an alternative approach is to amend the relevant laws in creditor countries to limit creditors from receiving more than what is prescribed under the HIPC Initiative. For instance, in the absence of an international legal regime that protects sovereign debtors from creditor litigation, legislative changes could be introduced in member countries which provide HIPCs protection from lawsuits or from asset attachments in cases where creditors attempt to recover claims in excess of the amount which such creditors would be entitled to receive consistent with the HIPC Initiative. The difficulty with this approach, however, is whether there would be adequate support for such legal changes especially when such changes may have ramifications for creditor-debtor relations more broadly within a country's legal framework and the amounts involved for HIPCs are small.

12. In light of the above, in the short term, the international community may have to continue to rely on moral suasion to deal with this issue. This would include publicizing the names of creditors that seek recovery through litigation outside the HIPC framework in the expectation that the increased reputational risk would dissuade these creditors from legal actions against HIPCs. The Bank and Fund staffs will continue to give prominent coverage on creditor litigation issues in their periodic progress reports and encourage the governments of the countries where these creditors reside to do likewise. Continued attention by the international community could potentially dissuade these creditors from taking legal actions against HIPCs.

13. **Possible Expansion of the Debt Reduction Facility for IDA-only Countries.** An additional means of addressing the problem of provision of debt relief by commercial creditors and thus discouraging creditor litigation could be the expansion and more active use of the existing Debt Reduction Facility for IDA-only Countries. Since 1989, the World Bank-administered Debt Reduction Facility for IDA-only Countries has provided grant financing and logistical support to 22 countries including 20 HIPCs, to conduct commercial debt-buyback operations. There are currently on-going operations in Cameroon, Tanzania, and Mozambique. Madagascar is also considering utilizing the Facility. It has retired some US\$7.3 billion in principal payments due to the commercial creditors of 20 countries, of which US\$6.9 billion has been attributable to commercial creditors of 18 HIPCs. Most reductions in commercial credits took place prior to the establishment of the enhanced HIPC Initiative.

the private litigants and possibly with the governments of the member countries in which the private litigants are established.

14. Further use of the Debt Reduction Facility for retiring commercial and non-Paris Club bilateral credits is currently limited because:

- (i) Much of the financing provided to the Facility has already been utilized. More than US\$500 million was mobilized for this purpose, but currently the Facility has an uncommitted balance of only US\$42 million.⁷ As noted above, for HIPC's beyond decision point, the cost of HIPC relief to be provided by commercial creditors is estimated at \$611 million.
- (ii) The current practice of the Facility is to hire financial and legal advisors for each country's commercial debt reduction facility. For small countries, however, this may not take full advantage of economies of scale which could be achieved by an integrated approach to HIPC's in which advisors would undertake evaluations and establish the discount parameters for several HIPC's at one time; and
- (iii) The Facility is structured to buy back the principal and not the interest component of a debtor's outstanding obligation to commercial creditors (at a discount). The Facility therefore may not provide adequate incentives for certain commercial creditors whose claims include large interest components (e.g., late interest) to agree to participate in the buyback operation as currently structured.

15. Expansion and modification of the Debt Reduction Facility may have a positive effect on creditor participation in the HIPC Initiative. The World Bank staff proposes to study this issue further in the near future to explore possible ways that the Debt Reduction Facility might be adjusted in order to be better utilized in the HIPC context.

IV. HIPC-TO-HIPC DEBT RELIEF

16. **Size and Composition of HIPC-to-HIPC Claims.** HIPC relief for outstanding official bilateral claims of HIPC creditors on the 26 HIPC's that have reached the decision point amounted to US\$143.3 million in 2001 NPV terms. As indicated in Tables 3 and 4, these costs are heavily concentrated in a few HIPC's: from Honduras to Nicaragua (US\$102.2 million NPV or 72 percent of the total cost of HIPC-to-HIPC relief); from Angola to other HIPC's (US\$25.8 million NPV or 18 percent of the total); from Côte d'Ivoire to Burkina Faso (US\$9.7 million NPV or 7.2 percent); and from Tanzania to Uganda (US\$3.4 million NPV or 2.4 percent). The costs of debt relief by HIPC creditors to the 26 HIPC's represent less than 1 percent of the total costs by all creditors to these countries. In the case of Nicaragua which has the largest amount of HIPC-to-HIPC debt, debt relief to be provided by its HIPC creditor (US\$102.2 million) amounts to only 3.0 percent of the total relief to be provided by all creditors to Nicaragua under the HIPC Initiative.

⁷ After deducting US\$35 million estimated to be utilized on the Cameroon and Mozambique operations.

Table 3. Costs of HIPC-to-HIPC Debt Relief Based on Debtor and Creditor Status ^{1/}

Creditor	Debtor	Cost of HIPC Relief (2001 NPV, in millions of US\$)	HIPC Status	
			Creditor	Debtor
Honduras	Nicaragua	102.2	DP	DP
Angola	Mozambique	12.2	SC	CP
Angola	São Tomé and Príncipe	6.4	SC	DP
Angola	Guinea-Bissau	5.6	SC	DP
Angola	Others (2)	1.5	SC	CP/DP
Côte d'Ivoire	Burkina Faso	9.7	PD	CP
Tanzania	Uganda	3.4	CP	CP
Others (3)	Others (4)	1.2	PD/NPD	CP/DP
Others (5)	Others (4)	1.1	DP	CP/DP
Total		143.3		

Source: Highly Indebted Poor Countries (HIPC) Initiative—Status of Implementation, September 2002.

Legend: CP – Completion Point reached; DP – Decision Point reached; PD – Preliminary document issued; NPD – No Preliminary Document yet; SC – Case where debt is potentially sustainable.

1/ The NPV amounts of HIPC-to-HIPC relief have been calculated either in the decision point or completion point debt sustainability analysis. Because there are often weaknesses found in the documentation of non-Paris Club bilateral credits, the figures indicated may be subject to revision at completion point or in bilateral negotiations between creditors

17. While some HIPC creditors (e.g., Honduras, Tanzania) have made commitments to deliver the debt relief provided for under the HIPC Initiative, several others have not yet done so. In many cases, disputes over technical matters have delayed reaching full agreement on settlements between creditors and debtors (see Table 5). This is the case, for example, between Côte d'Ivoire and Burkina Faso where there is a broad agreement on the required obligation and relief but where differences over the timing of payments and arrears have stalled discussions. A similar dispute has arisen between Benin and Niger over a loan from the French Government to Niger part of which was retroceded to Benin. In the case of Angola, its claims have essentially been suppliers' credits for oil exported to a few other HIPCs.

18. **Technical Assistance in Dispute Resolution.** Resolution of outstanding claims between HIPC creditors and debtors in a number of cases is hindered by technical details. At the request of the parties involved, staff can provide technical assistance to help creditors and debtors themselves resolve these outstanding technical disputes in accordance with the HIPC framework.

19. **Trust Fund Financing of Outstanding HIPC-to-HIPC Claims.** In cases where delivery of full HIPC relief is difficult owing to a HIPC creditor's financial constraints, a donor-financed trust fund could be a means of improving participation. Several bilateral donors have suggested the establishment of a trust fund for this purpose with appropriate donor financing. The Bank would be willing to establish and administer such a special donor trust fund. The objective of such a fund would be to channel donor assistance to finance debt relief in HIPC-to-HIPC cases. The operation of such a trust fund would be based on the specifications and conditions set out by the individual donors and agreed to by the World Bank. Similarly, disbursements to a HIPC

creditor to finance its relief on such debt would only be made upon the specific instructions of donors.

V. ISSUES FOR DISCUSSION

20. **Creditor Litigation.** Do Directors agree with staffs' views that mobilization of funds for legal defense of HIPC's is beyond the scope of the mandates of the Bank and the Fund, respectively? Do World Bank Directors agree that the World Bank staff should further explore the possibility of an expansion and modification of the Debt Reduction Facility for IDA-only Countries with the purpose of buying back commercial credits in HIPC countries?

21. **HIPC-to-HIPC Relief.** Do Directors agree that, as requested, staffs should provide technical assistance to HIPC's in working out negotiated solutions to the remaining technical impediments to the delivery of HIPC-to-HIPC relief? Do World Bank Directors agree that the World Bank should, if requested by donors, establish a specialized donor trust fund to be administered by the World Bank, along the lines outlined in paragraph 19 above? Do IMF Directors agree on the principle of such a trust fund?

Table 4. HIPC-to-HIPC Relief Costs

(In millions of U.S. dollars, in 2001 NPV terms)

Creditor		Debtor														Grand Total	In Percent
		Decision Point Countries							Completion Point Countries								
		Benin	Chad	Guinea-Bissau	Madagascar	Mali	Nicaragua	Sao Tome	Sub-total	In Percent	Mozambique	Tanzania	Uganda	Burkina Faso	Sub-total		
Completion Point	Tanzania												3.4	3.4	12.5	3.4	2.4
Decision Point	Cameroon		0.03					0.0	0.0							0.0	0.0
	Honduras						102.2	102.2	88.0							102.2	71.3
	Niger	0.3						0.3	0.2							0.3	0.2
	Rwanda											0.6	0.6	2.3	0.6	0.4	
	Senegal		0.01					0.0	0.0						0.0	0.0	
	Zambia										0.2			0.2	0.6	0.2	0.1
	Subtotal	0.3	0.04				102.2	102.5	88.3		0.2	0.6		0.8	2.9	103.3	72.1
Not Yet to Decision Point	Burundi											0.2	0.2	0.7	0.2	0.1	
	Côte d'Ivoire		0.01			0.7		0.7	0.6				9.7	9.7	35.6	10.4	7.2
	Congo, Dem. Rep.	0.3						0.3	0.3						0.3	0.2	
	Subtotal	0.3	0.01			0.7		1.0	0.8			0.2	9.7	9.9	36.3	10.9	7.6
Sust. Cases	Angola			5.6	0.5			6.4	12.6	10.8	12.2	1.0		13.2	48.3	25.8	18.0
	Total	0.6	0.05	5.6	0.5	0.7	102.2	6.4	116.1	100.0	12.2	1.2	4.2	9.7	27.3	143.3	100.0

Sources: HIPC country documents; and IMF and World Bank staff estimates.

Table 5. Summary of HIPC-to-HIPC Loans

Debtor	Creditor	Cost of Relief (In millions of U.S. dollars, in 2001 NPV terms)	Time of Orig.	Purpose	Serviced	Relief Provided
Benin	Niger	0.3	1988	Construction of a bridge between Benin and Niger. Line of credit from Government of France to Niger, about one half retroceded to Benin.	Niger serviced the loan from France. Benin serviced loan from Niger.	French loan cancelled in 1994. However, Nigerians have not signed paperwork indicating that loans to Benin no longer required to be serviced. Also dispute over amounts paid before loan was cancelled.
	Democratic Republic of Congo	0.3	1968/69 (est.)	Various economic projects as directed by President Mobutu.	Entire amount in arrears.	During trip to Benin, President Mobutu promised to cancel such loans. Loans never canceled in writing. Kabila Government claiming debt service requirements. No commitment so far to debt relief.
Burkina Faso	Cote d'Ivoire	9.7	1991	French commercial loans to Côte d'Ivoire partially retroceded to Burkina Faso to finance rail transport links.	Loans to commercial creditors fully serviced. Retroceded loan to Burkina in arrears due to technical dispute.	Acceptance by Côte d'Ivoire to provide HIPC relief but dispute over amount.
Chad	Cameroon	0.03	1998	Postal debt	Entire amount in arrears.	Simulated as debt reorganization on same terms as Togo since Togo was the only country to have an agreement—Naples flow 1996.
	Senegal	0.01	1998	Postal debt	Entire amount in arrears.	“
	Cote d'Ivoire	0.01	1998	Postal debt	Entire amount in arrears.	“
Guinea-Bissau	Angola	5.6		Oil exports	Entire amount in arrears.	None.
Madagascar	Angola	0.5		Oil exports	Entire amount in arrears.	None.
Mali	Cote d'Ivoire	0.7	1999	Est. of Malian Cultural Institution in Côte d'Ivoire.	Fully serviced since the outset.	Lyon Terms under the original HIPC. Intention to provide full relief under enhanced HIPC Initiative.
Mozambique	Angola	12.2	1982/ 1983	Oil exports from Angola to Mozambique (two loans).	Entire amount in arrears.	None.
Nicaragua	Honduras	102.2	1979 thru 1980s	Line of Credit between Central Banks for Central American Clearing Facility. Other Creditors—Costa Rica, El Salvador, Guatemala.	Original debt never serviced. Two payments made after renegotiations in 1996.	Balance renegotiated in 1986 and 1996. 1996 terms deemed not comparable to Paris Club Treatment. In 2000, Costa Rica, Guatemala, and Honduras committed to provide debt relief to Nicaragua under the HIPC Initiative.

Table 5 (concluded). Summary of HIPC-to-HIPC Loans

Debtor	Creditor	Cost of Relief In millions of U.S. dollars, in 2001 NPV terms	Time of Orig.	Purpose	Serviced	Relief Provided
Sao Tome & Principe	Angola	6.4		Oil exports	Entire amount in arrears.	None.
Tanzania	Angola	1.0		Oil exports.	Entire amount in arrears.	None
	Zambia	0.2	1966, 1969, 1995	Two intergovernmental loans for infrastructure improvements.	Entire amount in arrears.	Tanzania contacted Zambia in April 2002 but to date not resolved.
Uganda	Tanzania	3.4 (likely understated)	1981	Credit for defense related expenditures.	No. Entire amount in arrears.	Yes—partial: Buyback at 15 percent of face value for half of debt; remainder subject to Tanzania providing Proof of authenticity of claim. Tanzania has reached a decision on a means of full resolution of outstanding claims and will submit such information shortly.
	Rwanda Burundi	0.6 0.2 (likely under-stated by \$4.2 million)	1985	Loan canceled Credit for defense related expenditures.	No.	Canceled. Claim was not litigated and legal action suspended by creditor. Creditors considering to provide HIPC relief.
Total		143.3				

Source: HIPC country documents, IMF and World Bank.